NATIONAL SEA PRODUCTS LIMITED

ANNUAL REPORT 1977

High Liner

COMPARATIVE HIGHLIGHTS

(All amounts in thousands, except as indicated +)		52 Weeks to December 31 1977	52 Weeks to January 1 1977
Net Sales		$164,659	$127,066
Net Income		$ 5,123	$ 1,121
Earnings per average number of Common Shares Outstanding 1977 includes extraordinary gain of $.13 1976 includes extraordinary gain of $.21	+	$ 3.36	$ .68
Dividends paid per Common Share A	+	36.0¢	—
Dividends paid or payable per Common Share B	+	36.0¢	—
Cash Flow		$ 10,203	$ 5,367
Cash Flow per Common Share	+	$ 6.75	$ 3.52
Working Capital		$ 12,650	$ 9,929
Ratio of Current Assets to Current Liabilities	+	1.37	1.30
Fixed Assets, net of depreciation		$ 36,338	$ 35,451
Common Shareholders' Equity		$ 23,054	$ 18,575

Valuation Day Price (December 22, 1971)
Common Shares $9.50
Preference Shares (5½%) $3.25

National Sea Products Limited
Head Office: Duke Street Tower
Scotia Square, Halifax, Nova Scotia

DIRECTORS' REPORT TO THE SHAREHOLDERS

It is a pleasure to present to you the Annual Report on the operations and financial position of National Sea Products Limited for the year ended December 31, 1977. It was a year of significant improvement over last year as well as over the initial expectations for 1977. Fish landings and earnings were improved and sales increased to a record level.

Financial and Operating Results

Sales and other revenue increased from $127 million in 1976 to a new high of $165 million in 1977 — an increase of 30%. This is the direct result of improved fish landings and firm selling prices for seafood products. Net income for the year was $5,123,000 compared to $1,121,000 in 1976 — the highest level of earnings in the company's history. Good landings and strong markets were the principal contributors to profits and in addition we had the benefit of favorable foreign exchange rates. After dividends on preferred shares the earnings amounted to $3.36 per common share compared to $.68 per share last year.

Domestic sales grew 25%; sales in the United States increased 10%, while overseas sales tripled. All areas were profitable. The company's share of affiliated companies' net earnings was $351,000 compared to a loss of $87,000 in 1976. This is partially due to a favorable foreign currency translation on conversion of the financial statements of our Bermudian insurance operations.

Fixed asset additions amounted to $5,207,000 and consisted primarily of improvements and modernization programs at the various plants. These expenditures will result in improved operating capabilities and efficiencies.

Fish purchases totalled 232,000,000 pounds compared to 220,000,000 pounds last year. Some landings were lost due to a month long strike by the trawler fishermen in Newfoundland. These improved landings are the result of better fishing brought about by the conservation of the resource which has taken place in the last few years.

The company's plants operated at good levels of productivity but some plants continued to be underutilized. Other than the one month strike of Newfoundland trawlermen, the year was one of industrial peace. We look forward to a continuation of good relations with our employees and fishermen. Improved landings and higher fish prices have brought about an industry recovery from the recession of the last three years, and have allowed government assistance programs to fish plant operations to be discontinued at the end of the first quarter of 1977.

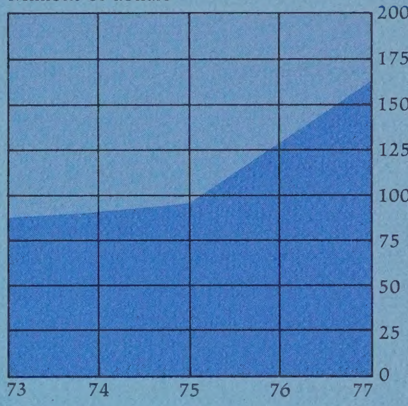
The company's share of the domestic market continues to grow with the introduction of new products and redesigned packaging. Although sales volumes increased only marginally in the United States, firm selling prices and favorable U.S. exchange rates resulted in improved sales values. The imposition of the 200 mile fishing zone has reduced the impact of foreign fishing in Canadian waters. This, coupled with the closure of the North Sea herring fishery, resulted in the development of a strong demand in both traditional and new foreign markets. Favorable foreign exchange rates further improved the level of export sales and profitability.

Generally speaking it was a good year.

Plans for 1978

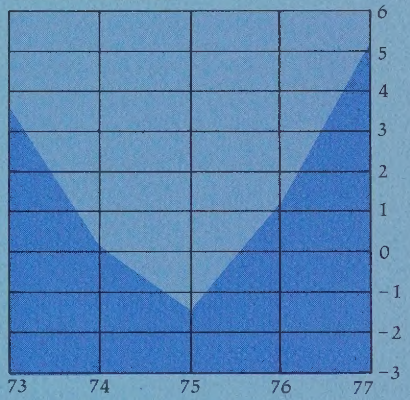
Continuing market development, firm selling prices, and favorable exchange rates are projected to continue into 1978. Emphasis will be placed on further development of the overseas markets, particularly for species not traditionally caught by Canadians. Innovative marketing techniques with greater advertising

Net sales
Millions of dollars



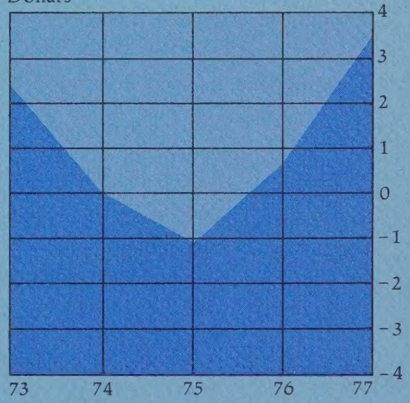
Sales increase of the last two years is a direct result of an improvement in landings, a strong demand, aggressive marketing, and the continuing upgrading of your company's products.

Net income
Millions of dollars



Our 1977 profits reached a record high brought about by good landings, a firm market both in North America and overseas, as well as favorable U.S. and foreign exchange rates.

Earnings per share
Dollars



Earnings per share increased substantially during 1977. As a result Your Board of Directors declared a dividend on the common shares of 36¢ per share during the year. This is the first dividend paid by the company on its common shares since October 1974.

and promotion of the company's brand will support new products to be introduced. While it is always difficult to predict the levels of fish landings, it is expected that the results of the imposition of the 200 mile limit and other conservation measures will continue to result in an improved harvest.

The Company is examining ways of taking advantage of the recovery of fish stocks. Also, continuing emphasis is being directed to greater cost control and productivity improvement.

Industry Overview and Outlook

We believe 1978 will be another year of growth for the industry as a whole. The solid improvement of 1976 and 1977 should continue, supported by strong world-wide demand for most seafood products. In spite of this, however, the continued long term growth and expansion of all sectors of the fishing industry is not assured.

While there are many opportunities there are also problems facing the industry in 1978 and beyond. Taking advantage of these opportunities will produce increased employment and benefits to all sectors of the fishing industry and to the public of the region.

The various levels of government, unions, plant workers, fishermen and the companies must strive to establish a positive environment so that all sectors can share the benefits of an expanding industry. Clear government policies, however, and improved communication and coordination are essential to establishing the right environment.

As a result of the 200 mile legislation, by the early 1980's Canada will have the opportunity to become the world's largest exporter of seafood products. Many of these products will have a higher unit value than previously because it will be possible to increase the amount of processing here in Canada. There is today, however, a great deal of uncertainty in the fishing industry. This has been caused by the lack of clear and constructive fisheries policies. Unless a planned and positive approach is taken with respect to the major policy issues facing the industry, many of these opportunities will not be realized.

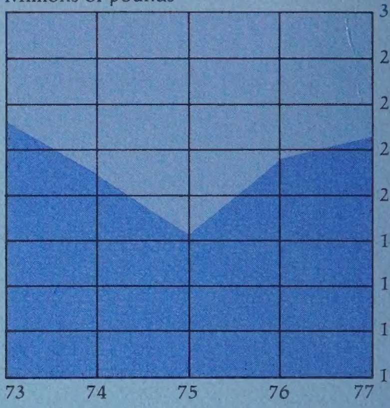
These opportunities are vital to the creation of additional jobs and the establishment of a solid economic base for the fishing industry, so that it can compete in world markets in the years ahead.

Marketing Opportunities

The one area that your company has identified as a real opportunity for growth is in the development of a fleet of freezer factory vessels. The North American market can be substantially expanded for our products if we can come up with the right products for the sophisticated and innovative buyers who are becoming more prominent in the food marketing and processing industry. Many of these products will require special care and will have to be of a quality and texture that only freezing at sea permits. While we are attaining high prices for our standard products, there is a limit to the extent that we can expand the market for these products. Our market research indicates that there is a highly sophisticated new market just waiting for the right products. If we do not meet this challenge the per capita consumption could in fact decline due to high prices which will affect the demand for our existing products. With the need to increase wages and higher costs generally, especially in the energy field, we cannot see prices declining and it is therefore essential that we prepare ourselves for the future.

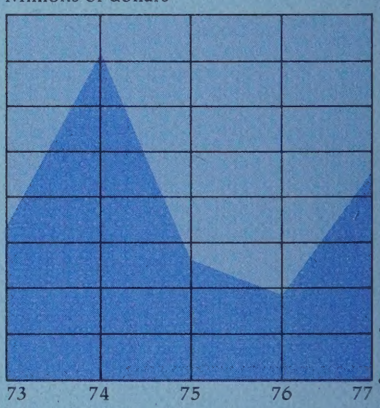
In this regard, during the past year the company, in cooperation with the federal government, chartered a West German factory trawler for experimental and demonstration purposes. The six month charter turned out to be most encouraging, and your company has placed an application for licenses for

Fish landings
Millions of pounds



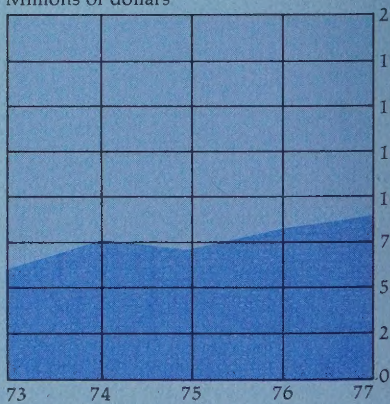
Although most fish stocks off the East Coast have been seriously depleted through overfishing by foreign vessels in recent years, your company through its fleet modernization program and use of the latest technology, has been able to maintain its landings at a reasonable level.

Working capital
Millions of dollars



The working capital position improved during the year by $2,721,000.

Total assets
Millions of dollars



We continue to invest in plants and trawlers, and the value of these assets continues to grow. All plants and trawlers are maintained in first class condition.

Canadian flag freezer trawlers and this application is now before the Federal Minister of Fisheries. Successful integration of this type of vessel in our fleets on the East Coast could mean a great deal for the whole Atlantic area and would also be a large earner of badly needed foreign exchange. In our opinion, this type of trawler will be necessary to meet the market challenges of the future.

Profit Sharing

The record profit of 1977 has made it possible for the company to contribute $870,000 to the Employee's Savings and Profit Sharing Retirement Plan. This is the largest amount paid into the Plan since it was established 15 years ago.

Directors

We were sorry to lose the services of Mr. W. H. Richardson, who resigned from our Board during the year. At our April Directors Meeting, Mr. J. E. A. Nickerson and Mr. H. B. Nickerson were appointed Directors of the company. Their years of experience in the fishing industry will be a great asset in directing the affairs of the company.

Mr. Paul M. Jacobs, one of North America's leading food marketing authorities, joined the Boards of our U.S. subsidiary companies during the year. His knowledge and experience in the food industry has already made an important contribution to these companies.

Cape Royal

During the year we were saddened by a major tragedy — the loss of the trawler *Cape Royal* with all eight of her crew.

In August the *Cape Royal* was steaming to Marystown, Newfoundland, from her home port of Burgeo and mysteriously disappeared. After an extensive search she was finally given up for lost when some wreckage was found in the search area. This was a serious loss, not only to the bereaved families, but to the whole community of Burgeo.

Another loss was the scallop dragger *Maria D* which caught fire and sank while on the fishing grounds. Fortunately there was no loss of life in this accident.

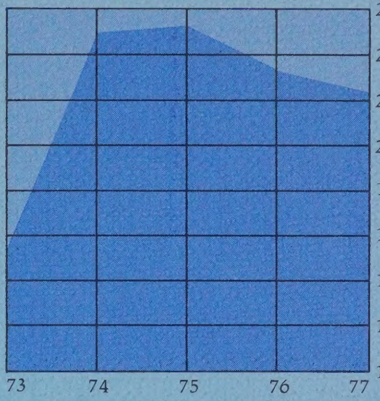
In Appreciation

The vitality, skill and hard work of the company's fishermen and employees, now numbering 5,000, were clearly a contributing factor to the successful results. The Directors wish to express their appreciation and gratitude to all the fishermen and staff for their outstanding performance during the past year. The anticipated long term growth of the fishery will further expand the opportunities for all persons associated with the industry.

On behalf of the Board of Directors,

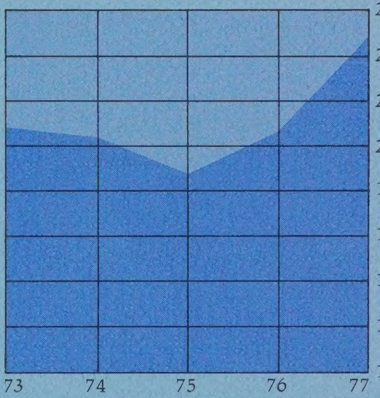
W. O. Morrow
President and Chief Executive Officer

Long term debt
Millions of dollars



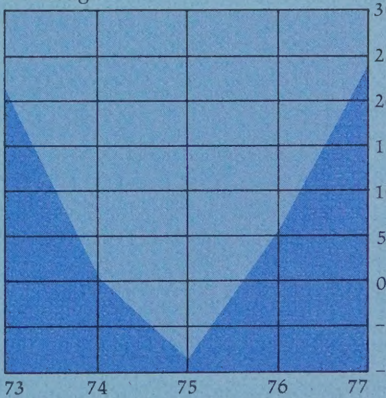
An increase in cash flow and a modest expansion in fixed assets in recent years postponed the need for the creation of additional long term debt.

Shareholders' equity
Millions of dollars



Shareholders'equity has reached $24,983,000. This higher base will assist the company in supporting its planned future growth.

Return on average common shareholders'equity
Percentage



The return on shareholders'equity during the past five years has been unsatisfactory averaging only 8.9 percent per year. It is hoped that the expected improvement in fish stocks and growing world demand for our products will result in a better average rate of return.

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

for the fifty-two weeks ended December 31, 1977
(with comparative figures for the fifty-two weeks ended January 1, 1977)

(in thousands of dollars)	52 Weeks to December 31 1977	52 Weeks to January 1 1977
Statement of Income		(unaudited)
Net sales	$164,659	$127,066
Cost of sales (note 6)	137,086	107,350
	27,573	19,716
Selling, general and administrative expenses	11,730	10,340
Interest — on short-term debt	1,317	835
— on long-term debt	2,039	2,422
Provision for depreciation	4,142	4,023
	19,228	17,620
Income from operations before the following	8,345	2,096
Share of affiliated companies' net earnings (losses)	351	(87)
	8,696	2,009
Contribution to Employees' Savings and Profit Sharing Retirement Fund (note 10)	870	201
Income before income taxes and extraordinary items	7,826	1,808
Provision for income taxes	2,892	1,004
Income before extraordinary items	4,934	804
Extraordinary gains (note 8)	189	317
Net income for the year	$ 5,123	$ 1,121
Earnings per common share:		
Income before extraordinary items	$3.23	$ .47
Net income for the year	$3.36	$ .68
Cash flow per common share (note 9)	$6.75	$3.52
Statement of Retained Earnings		
Balance, beginning of year:		
As previously reported	$11,993	$12,564
Adjustment of prior years' income taxes	—	(1,586)
As restated	11,993	10,978
Add net income for the year	5,123	1,121
	17,116	12,099
Dividends:		
Preference	106	106
Common	538	—
	644	106
Balance, end of year	$16,472	$11,993

See accompanying notes to financial statements

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

for the fifty-two weeks ended December 31, 1977
(with comparative figures for the fifty-two weeks ended January 1, 1977)

(in thousands of dollars)	52 Weeks to December 31 1977	52 Weeks to January 1 1977
Source of Funds		(unaudited)
Net income for the year	$ 5,123	$ 1,121
Add charges not represented by cash outlay during the year —		
Depreciation	4,142	4,023
Portion of tax provision applicable to future years	938	223
Total funds provided from operations and extraordinary items	10,203	5,367
Increase in long-term debt	1,738	—
Disposal of fixed assets	178	269
Net increase in working capital on deconsolidation of a former subsidiary	—	413
Total funds provided	12,119	6,049
Application of Funds		
Additions to fixed assets:		
Trawlers	854	2,368
Buildings and equipment	4,353	3,625
	5,207	5,993
Less mortgage proceeds	—	2,561
	5,207	3,432
Instalments on long-term debt due within one year	2,789	3,117
Dividends paid	644	106
Increase in other assets	758	274
Total funds applied	9,276	6,929
Increase (decrease) in working capital	2,721	(880)
Working capital, beginning of year	9,929	10,809
Working capital, end of year	$12,650	$ 9,929

See accompanying notes to financial statements

CONSOLIDATED BALANCE SHEET

(in thousands of dollars)	December 31 1977	January 1 1977
Assets		
Current:		
Cash	$ 620	$ 532
Accounts receivable — trade	14,261	10,565
Accounts receivable — fishermen, government grants and other	3,002	3,972
Income taxes recoverable	113	1,591
Inventories of marketable products and supplies (note 2)	29,015	26,192
Prepaid expenses	250	386
Total current assets	47,261	43,238
Fixed (note 3)	36,338	35,451
Other:		
Investments in shares of affiliates	5,176	4,825
Advances to affiliates	950	650
Sundry investments and other assets	363	256
	6,489	5,731
	$90,088	$84,420

On behalf of the Board:
H. P. Connor, Director
W. O. Morrow, Director

DECEMBER 31, 1977

	December 31 1977	January 1 1977
Liabilities and Shareholders' Equity		
Current:		
Bank indebtedness (secured)	$15,910	$19,479
Accounts payable and accrued charges	13,477	9,671
Income taxes payable	2,400	1,325
Instalments on long-term debt due within one year	2,824	2,834
Total current liabilities	34,611	33,309
Long-term debt (note 4)	22,324	23,375
Deferred income taxes	8,170	7,232
Shareholders' equity (note 5):		
Capital —		
385,875 preference shares	1,929	1,929
1,495,231 common shares	4,846	4,846
	6,775	6,775
Contributed surplus	1,736	1,736
Retained earnings	16,472	11,993
	24,983	20,504
	$90,088	$84,420

See accompanying notes to financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1977

1. Summary of significant accounting policies

(a) Basis of consolidation
The accompanying financial statements consolidate the accounts of the Company and all its subsidiaries.

(b) Exchange translation
The financial statements of foreign subsidiaries have been translated into Canadian dollars as follows: current assets and current liabilities at exchange rates prevailing at the end of the year; non-current assets, long-term debt and depreciation provisions on the basis of rates in effect at the date of acquisition; income and expenses (other than depreciation provisions) at average exchange rates prevailing during the year. Translation adjustments are included in consolidated income.

(c) Inventory valuation
Inventories are valued at the lower of cost and net realizable value with cost determined principally on a FIFO (first-in first-out) basis.

A United States subsidiary values a substantial portion of its inventory on the LIFO (last-in first-out) basis of determining cost. This method is allowable for income tax purposes in the United States.

(d) Fixed assets
Fixed assets are carried at cost. Depreciation of fixed assets is provided on the straight-line basis at the following rates per annum:

Brick buildings	4%
Wooden buildings and wharves	5%
Machinery and equipment	5% and 10%
Trawlers	8% for 5 years and 6% for next 10 years
Other	10% and 25%

(e) Investments in shares of affiliates
These investments represent companies in which National Sea Products Limited has a substantial interest and are carried at National's equity in their net assets; current income is recognized on the basis of National's share of their net earnings.

2. Inventories

Inventories consist of:

	December 31 1977	January 1 1977
Marketable products and supplies	$29,673,000	$27,087,000
Allowance to state inventories of a United States subsidiary at LIFO cost	(658,000)	(895,000)
	$29,015,000	$26,192,000

3. Fixed assets

Major categories of fixed assets are:

	December 31 1977	January 1 1977
Land	$ 1,406,353	$ 1,375,353
Buildings, wharves, and equipment	39,563,953	35,775,077
Trawlers	31,195,621	28,608,505
	72,165,927	65,758,935
Less accumulated depreciation:		
Buildings, wharves, and equipment	20,857,348	19,091,622
Trawlers	14,970,096	13,554,313
	35,827,444	32,645,935
	36,338,483	33,113,000
Trawler under construction	—	2,337,500
	$36,338,483	$35,450,500

4. Long-term debt

Particulars of long-term debt are:

	December 31 1977	January 1 1977
Secured —		
First mortgage bonds and collateral trust serial bonds:		
6½% Series "A" due 1978-1979	$ 200,000	$ 300,000
7½% Series "B" due 1977	—	500,000
	200,000	800,000
Trawler mortgage loans:		
Loans at rates from 4% to 6½%, maturing from 1978-1982	410,210	672,648
6½% due semi-annually to 1983	1,013,716	1,173,010
6½% due semi-annually to 1984	324,124	357,654
5% due semi-annually to 1987	255,724	283,948
6½% due semi-annually to 1988	131,250	—
9% due semi-annually to 1989	842,835	879,480
8⅝% due semi-annually to 1991	3,671,532	3,922,843
9% due semi-annually to 1991	2,418,570	2,597,726
10% due semi-annually to 1992	2,337,500	2,337,500
	11,405,461	12,224,809
Other:		
Bank indebtedness bearing interest at 1½% above the bank prime lending rate, due 1978 and 1979, secured by a floating charge on the Company's assets	8,000,000	9,000,000
Bank indebtedness bearing interest at 1½% above the New York bank prime lending rate, due 1978 to 1982	1,613,936	—
8½% mortgage due semi-annually to 1984	804,866	894,419
8% mortgage due semi-annually to 1988	1,035,000	1,130,000
10¼% mortgage due semi-annually to 1991	562,500	607,500
	12,016,302	11,631,919
Unsecured —		
6¾% Subordinated Sinking Fund Debentures Series "A" due 1981	1,785,000	2,035,000
Less debentures held for Sinking Fund at par	259,000	483,000
	1,526,000	1,552,000
	25,147,763	26,208,728
Less instalments due within one year included in current liabilities	2,823,772	2,834,048
	$22,323,991	$23,374,680

Principal and sinking fund payments required in each of the next five fiscal years:

1978	1979	1980	1981	1982
$2,800,000	$9,000,000	$1,900,000	$2,700,000	$1,600,000

5. Shareholders' equity

(a) Details of share capital are:

	Authorized Shares	Issued and Outstanding December 31, 1977 Shares	December 31, 1977 $	January 1, 1977 Shares	January 1, 1977 $
$5^1/_2$% Class C cumulative redeemable convertible preference shares of the par value of $5 each, redeemable at par	600,000	319,274	$1,596,370	345,604	$1,728,020
$5^1/_2$% Class D cumulative redeemable convertible preference shares of the par value of $5 each, redeemable at par	400,000	66,601	333,005	40,271	201,355
Subordinated redeemable preference shares of the par value of $1 each, redeemable at par	1,025,546	—	—	—	—
Class A convertible common shares without nominal or par value	3,000,000	1,146,890	3,717,191	1,293,037	4,190,869
Class B convertible common shares without nominal or par value	3,000,000	348,341	1,129,010	202,194	655,332
			$6,775,576		$6,775,576

The Class A and Class B convertible common shares are inter-convertible at the option of the shareholder on a one-for-one basis and rank equally with respect to dividends and in all other respects. Similarly, the Class C and Class D convertible preference shares are inter-convertible at the option of the shareholder on a one-for-one basis and rank equally with respect to dividends and in all other respects. Provision is made whereby dividends on the Class B convertible common and Class D convertible preference shares may be paid in the form of tax deferred dividends; in this event, the conditions attaching to the Class B convertible common and Class D convertible preference shares provide that a suitable deduction from the dividends be made for taxes, if any, payable by the Company with respect to such dividends.

(b) Trust Deed restrictions
The Trust Deed securing the First Mortgage and Collateral Trust Serial Bonds and the Trust Indenture securing the $6^3/_4$% Subordinated Sinking Fund Debentures Series "A" contain certain restrictions including, among others, restrictions as to payment of dividends, reduction of capital, and retirement of subordinated debentures in the event of consolidated working capital (without deducting the portion of long-term debt due within one year) being less than $6,000,000 or consolidated retained earnings being less than $5,600,000.

6. Cost of Sales

During the year the Company received $1,262,000 (year to January 1, 1977 $3,823,000) from the Federal Government, net of amounts paid to fishermen, in respect of various assistance programs. These amounts have been credited to cost of sales.

7. Income taxes

(a) Losses of a U.S. subsidiary of $66,000 are available to be applied to reduce future taxable income in computing the provision for income taxes. The resulting reduction in the provision for income taxes has not been reflected in these consolidated financial statements. These losses will be available until 1979.

(b) Investment tax credits of approximately $160,000 are available to offset future United States income tax liabilities and expire as follows:

1980	1981	1982	1983	1984
$ 6,100	$21,100	$16,500	$20,000	$96,300

(c) The provision for income taxes includes a reduction of $202,000 resulting from application of the 3% inventory allowance under paragraph 20 (1) (gg) ofthe Income Tax Act. Further tax reductions of $172,000 have been reflected to give effect to the investment tax credit available to the Company.

8. Extraordinary gains

Extraordinary gains include:

	52 Weeks to December 31 1977	52 Weeks to January 1 1977 (unaudited)
Recovery of income taxes upon application of prior years' losses	$188,720	$243,072
Gain on disposal of fixed assets, net of income taxes of nil	—	74,171
	$188,720	$317,243

9. Cash flow per common share

Cash flow per common share is calculated based on the total funds provided from operations and extraordinary items less preferred dividends, divided by the weighted average number of common shares outstanding during the year.

10. Commitments

(a) Rentals aggregating approximately $250,000 per annum through 1993 are payable under long-term leases for facilities in Lunenburg.

(b) Estimated past service costs of $578,000 for an Executive and Management Pension Plan are being funded and amortized by the Company in equal annual amounts to 1990.

(c) The Company has several foreign exchange contracts for the sale, in the aggregate, of $6,000,000 U.S. for $6,648,000 Canadian.

(d) Employee's Savings and Profit Sharing Retirement Fund
Employees of the Company meeting specified eligibility requirements may participate in a Trusteed Savings and Profit Sharing Plan covering employees of the Company and its subsidiaries. Participation in the Plan is voluntary and requires a contribution from the employee. The Company contributes an amount equal to 10% of its consolidated profit before income taxes.

11. Contingency

Guarantees by the Company of indebtedness of suppliers (including fishermen's notes and mortgages) amount to approximately $157,000.

12. Statutory information

Remuneration of Directors and senior officers was $483,000.

13. Anti-inflation program

Under the Federal Government's anti-inflation program the Company is subject to mandatory compliance with legislation which controls prices, profit margins and employee compensation. In the Company's case the legislation will generally be in force until December 31, 1978.

Management is of the opinion that the Company is in compliance with the requirements of the anti-inflation legislation in all material respects.

AUDITORS' REPORT

To the Shareholders of National Sea Products Limited:

We have examined the consolidated balance sheet as at December 31, 1977 and the consolidated statements of income, retained earnings and changes in financial position for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the fifty-two weeks then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Clarkson, Gordon & Co.

Halifax, Canada
February 24, 1978

Chartered Accountants

COMPARATIVE FINANCIAL INFORMATION FOR 1973-1977

(all amounts are expressed in thousands, except as indicated +)		1977	1976	4 months 1975	1975	1974	1973
			(unaudited)	(unaudited)			
Working Capital	$	12,650	9,929	10,809	10,692	15,187	11,373
Plant, Equipment, Trawlers and other Fixed Assets after Depreciation	$	36,338	35,451	36,087	36,317	33,931	28,484
Total Assets	$	90,088	84,420	76,794	74,807	75,274	62,620
Accumulated Deferred Income Taxes	$	8,170	7,232	7,009	6,864	8,193	7,878
Long Term Debt	$	22,324	23,375	24,448	25,488	24,985	15,519
Shareholders' Equity:							
Preference Shares	$	1,929	1,929	1,929	1,929	1,929	1,929
Common Shares	$	4,846	4,846	4,846	4,846	4,846	4,812
Contributed Surplus	$	1,736	1,736	1,736	1,736	1,736	1,138
Retained Earnings	$	16,472	11,993	10,978	10,252	11,889	12,855
Total Shareholders' Equity	$	24,983	20,504	19,489	18,763	20,400	20,734
Additions to Plant, Equipment, Trawlers and other Fixed Assets during the year	$	5,207	5,993	1,130	6,271	6,194	7,667
Fish Landings (lbs)		232,000	220,000	69,000	178,000	217,000	242,000
Herring Purchased for Reduction (lbs)		—	—	2,000	4,000	5,000	17,000
Net Sales	$	164,659	127,066	37,363	97,324	90,069	89,409
Depreciation	$	4,142	4,023	1,326	3,752	3,174	2,903
Income Taxes	$	2,892	1,004	477	(863)	15	3,218
Net Income	$	5,123	1,121	779	(1,411)	194	3,706
Dividends on Preference Shares	$	106	106	53	106	106	184
Dividends on Common Shares	$	538	—	—	120	1,054	702
Earnings Retained in Business for Expansion	$	4,479	1,015	726	(1,637)	(966)	2,820
*Earnings per average number of Common Shares Outstanding	+	$3.36	$.68	$.48	$(1.01)	$.06	$2.35
Common Dividends paid per share — Class A	+	36.0¢	—	—	8.0¢	70.5¢	47¢
Common Dividends paid per share — Class B	+	36.0¢	—	—	6.8¢	59.9¢	39.9¢
Earnings as a Percentage of Sales	+	3.1%	0.9%	2.1%	(1.4)%	0.2%	4.1%
Cash Flow per average number of Common Shares Outstanding	+	$6.75	$3.52	$1.47	$.61	$2.32	$6.49
Number of Common Shares Outstanding at Year End	+	1,495,231	1,495,231	1,495,231	1,495,231	1,495,231	1,493,293

By Shareholders' Resolution dated December 10, 1975 the Company changed its fiscal year end from August 31 to the Saturday nearest to December 31.

*1977 includes extraordinary gain of $.13 per common share
1976 includes extraordinary gain of $.21 per common share
1975 (4 months) includes extraordinary gain of $.06 per common share
1975 includes extraordinary loss of $(.18) per common share

CORPORATE DIRECTORY

Board of Directors
H. P. Connor, *Halifax, N.S.*
Frank M. Covert, Q.C., *Halifax, N.S.*
J. B. Estey, *Loggieville, N.B.*
C. R. MacFadden, *Glen Haven, N.S.*
J. B. Morrow, *Lunenburg, N.S.*
W. O. Morrow, *Halifax, N.S.*
H. B. Nickerson, *North Sydney, N.S.*
J. E. A. Nickerson, *North Sydney, N.S.*
C. C. Pratt, *St. John's, Nfld.*
H. B. Rhude, Q.C., *Halifax, N.S.*
The Hon. H. J. Robichaud,
Fredericton, N.B.
F. W. Russell, *St. John's, Nfld.*
P. J. Smith, *New Minas, N.S.*

Member of the Executive Committee
Member of the Audit Committee
(W. O. Morrow and M. L. Pitman are ex-officio members of the Audit Committee)

Officers and Senior Management
H. P. Connor
Chairman of the Board and Executive Committee
W. O. Morrow
President and Chief Executive Officer
C. R. MacFadden
Senior Vice President
J. B. Morrow
Vice President
I. H. Langlands
Vice President
J. A. Tupper
Vice President
M. L. Pitman
Vice President — Finance
E. H. Demone
Vice President — Fleet
J. P. McNeil
Vice President Marketing — Canada
F. D. McGee
Secretary and Company Solicitor
S. J. Campbell
Assistant Secretary

I. C. McDermaid
President, McDermaid Agencies Limited
D. J. Mosher
President, Scotia Trawler Equipment Limited
J. H. Rigg
Managing Director, Hamilton Insurance Brokers Limited and Subsidiary Companies
K. H. Ritcey
President, National Sea Products (U.S.) Corp. Limited and National Sea Products Inc.

Subsidiary Companies
National Sea Products
(U.S.) Corp. Limited
Tampa, Florida
National Sea Products Inc.
Rockland, Me.
Natlake Limited
Burgeo, Nfld.
McDermaid Agencies Limited
Halifax, N.S.
Scotia Trawler Equipment Limited
Lunenburg, N.S.

Major Affiliated Companies
Hamilton Insurance Brokers Limited
Cambridge Reinsurance Limited
Canadian International Insurance (Management) Limited
Hamilton, Bermuda
Burgeo Leasing Limited
Burgeo, Nfld.

Auditors:
Clarkson, Gordon & Co.
Chartered Accountants

Transfer Agents:
Common Shares
Montreal Trust Company
Preference Shares
The Company, Secretary's Office
P.O. Box 2130, Halifax, N.S.

Bankers:
The Royal Bank of Canada
The Bank of Nova Scotia